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Nairobi, 20-22 May 1998
Item 6 of the provisional agenda*

REVIEW OF THE RESULTS AND DECISIONS OF THE SPECIAL SESSION OF THE GENERAL ASSEMBLY FOR THE PURPOSE OF AN OVERALL REVEIW AND APPRAISAL OF THE IMPLEMENTATION OF AGENDA 21 AND OF THE CONCLUSIONS OF THE HIGH-LEVEL COMMITTEE OF MINISTERS AND OFFICIALS AT ITS SECOND MEETING

Participation of the United Nations Environment Programme in the work of the Global Environment Facility

Note by the Executive Director

The Executive Director has the honour to circulate herewith, in part one below, the Joint Summary of the Chairs, relating to the Global Environment Facility (GEF) Council Meeting held on 30 and 31 March in New Delhi; and, in part two, the Policy Recommendations for the Second GEF Replenishment Period.

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PART ONE
Global Environment Facility

April 15, 1998

JOINT SUMMARY OF THE CHAIRS
GEF COUNCIL MEETING
MARCH 30-31, 1998
NEW DELHI, INDIA

OPENING OF THE MEETING

1. The meeting was opened by Mohamed T. El-Ashry, Chief Executive Officer/Chairperson of the Facility.

ELECTION OF A CHAIRPERSON

2. The Council elected John W. Ashe, the Member representing the constituency comprising Antigua and Barbuda, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Surinam, The Bahamas, and Trinidad and Tobago, as its elected Chairperson.

ADOPTION OF THE AGENDA

3. The Council adopted the provisional agenda set forth in document GEF/C.11/1/Rev.1.

STATEMENT BY THE CHAIR OF STAP

4. The Chair of STAP, Dr. Pier Vellinga, presented a report on the activities of STAP since the last Council meeting. The Chair noted that his tenure as Chair of STAP was coming to a close, and that the Council would be considering the reconstitution of STAP later in the meeting. The Council expressed its deep appreciation for the excellent work and scientific and technical advice that STAP and its Chair had contributed to the GEF, and wished all Members who would be completing their work with STAP warmest wishes in their next endeavors. The Council noted that it looked forward to being

informed of the priorities proposed by the reconstituted STAP at the Council meeting in October 1998.

DECISIONS OF THE COUNCIL

5. The Council approved the following decisions:

Decision on Agenda Item 5 — *Report on the second GEF Replenishment Process*

6. The Council, having reviewed the *Report on the Second Replenishment of the GEF Trust Fund*, endorses the Replenishment Document (GEF/C.11/6, Annex A) and requests the CEO to transmit it to the World Bank with a request that it be submitted for adoption by the World Bank Executive Directors, thereby authorizing the World Bank as Trustee of the GEF Trust Fund, to manage the resources made available under GEF-2.

7. Furthermore, the Council endorses the policy recommendations[1] (GEF/C.11/6, Annex B) as a statement of the Council on actions to be undertaken by the GEF to maximize its effectiveness and impacts, while respecting the prerogatives of the governing bodies of the Implementing Agencies. The Council requests the CEO, in conformity with Paragraph 22 and Annex D, paragraph 7, of the *Instrument for the Establishment of the Restructured GEF*, to transmit the Joint Summary of the Chairs for the present Council meeting, the *Report on the Second Replenishment of the GEF Trust Fund*, and the GEF evaluation reports that are before the Council at this meeting, to UNDP, UNEP and the World Bank, inviting each of them, in its role as Implementing Agency, to take note of the replenishment and to accept and take appropriate action on the policy recommendations.

Decision on Agenda Item 6 — *Review of evaluation reports and follow-up actions*

8. The Council requests the Secretariat, in consultation with the Implementing Agencies, to prepare for Council review and approval at its meeting in October 1998, an action plan and timetable for responding to the recommendations of the *Study of GEF's Overall Performance* and other evaluation reports as appropriate, taking into account comments made by the Council Members at this meeting and any written comments submitted to the Secretariat by June 1, 1998.

[1] In endorsing the policy recommendations set forth in Annex B to document GEF/C.11/6, the Council agreed to insert the word "most" before the word "Participants" in line 4 of paragraph 2 of Annex B.

Decision on Agenda Item 7 — *Review of CEO Report and other documentation prepared for the GEF Assembly*

9. The Council reviewed and took note of the *draft CEO Report on the Policies, Operations and Future Development of the GEF*, document GEF/C.11/5, and made a number of helpful comments.

Decision on Agenda Item 8 — *Work Program*

10. The Council reviewed the proposed work program submitted to the Council in document GEF/C.11/3, and approves it subject to comments made during the Council meeting and additional comments that may be submitted to the Secretariat by April 22, 1998.

Decision on Agenda Item 9 — *GEF Corporate Budget for FY99*

11. The Council reviewed document GEF/C.11/4, *GEF Corporate Budget FY99*, and approves the proposed budget for FY99 subject to the comments made during the Council meeting. In approving the budget, the Council agrees that: (i) the Secretariat should incorporate in the next corporate business plan proposals for budget stabilization and for the introduction of a fee-based system; (ii) the cover sheets for each project proposal should include a transparent account of all administrative and executing costs included in the project allocations; (iii) the Secretariat and the Implementing Agencies should accelerate the development of a fee-based approach to administrative costs, and (iv) administrative budgets will be reduced in case of under-delivery of work program outputs.

12. The Council reviewed *the Report on GEF FY98 Estimated Mid-Year Expenditures*, and approves the mid-year budgetary revisions proposed in the report concerning the monitoring and evaluation component of the Secretariat budget.

Decision on Agenda Item 10 — *Other Business*

13. The Council reviewed *the Note on the Reconstitution of STAP for the Second Phase of the GEF* prepared by UNEP, document GEF/C.11/Inf.4, and approves the composition of STAP proposed by the Executive Director of UNEP on the basis of the recommendations put forward by the Search Committee. The Council also welcomes the appointment of Dr. Madhav Gadgil as Chair of STAP and Dr. Christine Padoch as Vice-Chair.

14. The Council reviewed provisions of the *Rules of Procedure for the GEF Council* concerning Council decisions without meeting. With regard to paragraph 36 of the rules, the Council agrees that work programs transmitted to Council Members for

approval by mail may be approved on a no-objection basis. Furthermore, the Council agrees that reports on estimated mid-year expenditures may be approved in accordance with the present text of paragraph 36. All other budgetary or financial decisions should be addressed during the course of Council meetings.

HIGHLIGHTS OF COUNCIL'S DISCUSSION

15. The following explanations, clarifications and understandings were raised during the Council's discussion of its agenda items and related decisions.

Agenda Item 5 — *Report on the second Replenishment of the GEF Trust Fund*

16. The Council welcomed the successful conclusion of the replenishment negotiations in reaching its target of $2.75 billion and expressed its appreciation to all donors. Special recognition was expressed for the recipient donor countries as well as the Trustee and the two Co-Chairs of the replenishment negotiations.

17. The Chair informed the meeting that since the agreement on March 24, 1998, Italy had agreed to increase its contribution, thereby reducing the unallocated figure to $73.46 million. The CEO and Trustee expressed their confidence that this unallocated amount would be mobilized during the course of GEF-2.

Agenda Item 6 — *Review of evaluation reports and follow-up actions*

18. The Council congratulated the evaluation team that prepared *the Study of GEF's Overall Performance* as well as the Senior Monitoring and Evaluation Coordinator and his colleagues in the Secretariat and Implementing Agencies for the high quality reports that had been prepared. While calling upon the Secretariat, in consultation with the Implementing Agencies, to prepare an action plan on the proposed follow-up to the evaluation reports for consideration at its next meeting, the Council requested that actions identified in other recommendations endorsed by the Council not be delayed. In particular, the Council requested the Secretariat to proceed with the development of performance indicators and steps to strengthen the dissemination of lessons learned.

Agenda Item 7 *Review of CEO Report and other documentation prepared for the GEF Assembly*

19. The Council welcomed the report as a balanced and comprehensive report reflecting the views and experience of the CEO. It was noted that the report should assist the Assembly in its discussions. The Council indicated that in finalizing the report, the CEO might wish to keep in mind the mandate of the Assembly as defined in the *Instrument for the Establishment of the Restructured GEF*.

Agenda Item 8 *Work Program*

20. The Council welcomed the cover note to the work program and expressed appreciation for its continuing improvement and high quality.

21. It was suggested that when a project is included in the work program before a Council meeting because it was not approved in the previous intersessional work program, the cover note should include more information as to any objections that were raised earlier together with information on any modifications that had been introduced as a result of the objection.

22. A number of Council members supported the importance of the sustainability of benefits arising from GEF-financed projects and recommended that the Council keep this issue under review.

23. The importance of interagency collaboration was emphasized, and a request was made that the Council be informed on relevant experience in the field at one of its future meetings.

24. It was requested that project proposals more clearly indicate how the review of the expert from the STAP roster has been responded to in preparing the proposal. It was also requested that project proposals indicate clearly the administrative costs of the Implementing and executing agencies associated with the proposed projects.

25. It was noted that the Council should discuss issues of emerging operational policies and principles before approving projects that incorporate such policies or principles. In this respect, it was recommended that the Council discuss the proposed framework for GEF activities concerning conservation and sustainable use of biological diversity important to agriculture at its next meeting.

26. One Council Member, in light of national legislation regarding his country's voting position for development projects financed by certain development institutions, opposed the proposed project C.15, *Determination of Priority Actions for the Further Elaboration and Implementation of the Strategic Action Program for the Mediterranean Sea* and

C.16, *Preparation of a Strategic Action Program and Transboundary Diagnostic Analysis for the Tumen River Area, its Coastal Regions and related Northeast Asian Environs.*

Agenda Item 9 *GEF Corporate Budget for FY99*

27. In approving the GEF Corporate Budget, the Council expressed concern about the unsustainable rate of growth of the budget and the overhead costs associated with project implementation.

28. The Council requested that in the preparation of the budget as well as project proposals, all administrative costs should be made transparent.

29. It was noted that regional projects, and some NGO projects, had a tendency to have higher transactions costs than national projects, and it was suggested that the reasons behind this be examined further.

30. While recognizing that the growth in administrative budget was driven by the growth in project activities and implementation, it was suggested that the Secretariat and Implementing Agencies might consider conducting a management audit in order to identify further efficiency savings that might be made in administrative costs.

31. The Secretariat was requested to provide in future presentations more transparent information from the Implementing Agencies on the actual and projected off-budget, project related costs as well as information on previously approved budgets.

Agenda Item 10 *Other Business*

32. The Council expressed its support for the establishment of the Global Environment Leadership Award, the first recipient of which will be announced at the Assembly.

33. The Council welcomed the new Executive Director of UNEP, Klaus Topfer, who presented UNEP's recommendations on the reconstitution of STAP.

34. The Council considered the proposal presented in *the Study of the GEF's Overall Performance* that Council review of proposed final project documents prior to endorsement be delegated to the CEO. In this respect, it was proposed by the Chair that Council agreed to delegate this second review of projects to the CEO except with regard to:

(a) innovative projects;
(b) projects that raise significant policy issues;
(c) projects that differ significantly at the time of endorsement from the proposal approved by the Council in the work program; and

(d) projects for which the Council indicates at time of approval in the work program that it should undertake a second review prior to endorsement.

Furthermore, it was suggested that when a project is endorsed, the CEO should inform Council Members of the endorsement and provide information as to how policy issues and comments raised by the Council and the STAP reviewer have been addressed in developing the draft final project document.

35. A number of reservations were raised about this proposal. The Council agreed to take a decision on this proposal at its meeting in October.

CLOSURE OF THE MEETING

36. The meeting was closed by the Chairs on March 31, 1998.

PART TWO

POLICY RECOMMENDATIONS
FOR THE SECOND GEF REPLENISHMENT PERIOD

The GEF is the leading multilateral funding mechanism dedicated to providing grant and concessional financing for global environmental protection. Its beneficiaries are all people of the globe, since we live in an integral and interdependent world.

Participants in the Second GEF Replenishment negotiations reaffirm the GEF's overarching objective, as enunciated in the *Instrument for the Establishment of the Restructured GEF*, of achieving global environmental benefits within a framework of sustainable development. Participants acknowledge the significant progress that has been made by the GEF in the four years since its first replenishment in supporting developing countries and countries with economies in transition in their efforts for global environment improvements and in implementing the Rio conventions. The solid and timely replenishment of $2.75 billion will enable the GEF to continue its efforts to promote global environmental goals and sustainable development and to support the objectives of agreed global environmental conventions and protocols, such as the Convention on Biological Diversity, the UN Framework Convention on Climate Change and the Kyoto Protocol, the Vienna Convention and the Montreal Protocol on Substances that Deplete the Ozone Layer, and the UN Convention to Combat Desertification.

Participants recognize that the GEF should remain a facility at the cutting edge, agile and responsive to its recipient countries, as well as a catalyst for other institutions and efforts. It should apply lessons learned in order to improve further the effectiveness of its performance as it continues to evolve and maintain flexibility in financing incremental costs for addressing priority global environmental concerns arising from international conventions, consistent with the guidance provided by their Conferences of Parties. Recognizing that the GEF Council has primary responsibility for providing guidance and oversight to the GEF Secretariat and the Implementing Agencies, and drawing upon analyses and recommendations from a number of studies, including the independent Study of GEF's Overall Performance, the Study of GEF Project Lessons, GEF Project Implementation Reviews, and the Price Waterhouse Study on Budgeting, Participants recommend to the GEF Council that urgent action be undertaken in the following six strategic areas. Participants advance these recommendations in order to maximize the efficiency and impacts of the resources of the second replenishment of the GEF Trust Fund.

1. Participants stress that GEF activities should be country-driven and that country ownership is key to the success of GEF projects. To achieve this, GEF activities should be based on national priorities designed to support sustainable development and the global environment. Participants underscore the need for

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concerted efforts to advance recipient countries' knowledge of the global environment and of the GEF, to facilitate country access to GEF financing and country ownership of GEF-financed projects, to strengthen national focal points, and to facilitate coordination at the country level. Participants recommend that the Council requests the Secretariat, in consultation with the Implementing Agencies, to review country level relations, including capacity building, training, outreach and information sharing, and prepare for Council approval an action plan to strengthen country-level coordination and to promote genuine country ownership of GEF-financed activities, including active involvement of recipient countries and interested stakeholders. The action plan should also address: (i) the need for the Implementing Agencies to assist countries in identifying and implementing policies in support of the global environment; and (ii) means through which the Secretariat may work with the Implementing and Executing Agencies and other entities to strengthen the financial and institutional sustainability of GEF-funded activities, and to better promote the use of local, national, and regional expertise.

2. Recognizing the catalytic role of the GEF to provide new and additional resources for the agreed incremental costs of achieving global environmental benefits as well as the need for broad-based global environmental actions across a wide-spectrum of national, regional, and international institutions, Participants strongly support the recommendations of the overall performance study concerning the mainstreaming of global environmental objectives into the regular policies and programs of the GEF Implementing Agencies. Participants recognize that as governments represented in the GEF and the Implementing Agencies, each government has a responsibility to ensure consistency in its policies and representation in the GEF, the Implementing Agencies and the Conventions and to promote mainstreaming of GEF objectives in the policies and program activities of the Implementing Agencies. Of particular concern is ensuring that the policies and activities of the Implementing Agencies do not undermine the success or effectiveness of GEF-financed activities. Taking into account paragraph 22 and Annex D, paragraph 7, of the Instrument[1], Participants recommend that each Implementing Agency prepare for Council review in 1998 a strategy and timetable showing how the Agency will integrate global environmental activities into its own policies and programs and report regularly thereafter to the Council on its implementation. In addition Participants, through the GEF Council, call upon the Secretariat to further develop the GEF resource allocation strategy to maximize global impacts and effectiveness of operations, and to make the development of broad "performance indicators" a high priority. In particular:

(a) While fully appreciating and commending the accomplishments of the World Bank in cofinancing and leveraging resources for GEF projects, Participants recommend that the World Bank make a concerted effort to incorporate global

[1] See attachment

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environment objectives into its regular policies and operations. In particular, the Bank should integrate global environmental concerns in country dialogue, in country assistance strategies (CASs), and in country economic and sector work, building on GEF-financed activities that have enabled countries to develop their own strategies and action plans, particularly in the areas of biodiversity and climate change.

(b) The UNDP five-year country-programming cycle should not have been a constraint to the integration of global environmental objectives into UNDP's own activities. Participants recommend that UNDP actively seek cofinancing and leverage resources for GEF projects, and incorporate global environmental objectives into its regular policies and operations, including into Country Cooperation Frameworks. In the area of capacity building, UNDP should take a more comprehensive approach to strengthening countries' capacities for sustainable development and global environment that maximizes the synergy between its own funding, GEF funding, and other sources.

(c) Aware that UNEP's mandate includes a strong focus on the global environment, Participants recommend that UNEP should better integrate GEF activities and its own operations on the global environment and should ensure synergy between UNEP's regular activities addressing global environmental issues and its proposals for GEF funding. At the same time, UNEP's proposals for GEF funding should be consistent with the principle of additionality -- GEF should not fund activities that are part of UNEP's mandate and regular programs.

3. Participants reiterate the emphasis placed since the beginning of the Pilot Phase on leveraging additional resources for global environment actions particularly from the private sector. Furthermore, it is recognized that technology, the creation of new opportunities and markets for the transfer of technology, and cooperation with respect to new and more efficient technologies is fundamental to promoting global environmental protection and sustainable development. Since the private sector is instrumental in diffusing technology and knowledge that will have an impact on the global environment, it is vital that the GEF seek new opportunities and modalities for working in partnership with the private sector. The GEF Secretariat, in consultation with the Implementing Agencies and private sector entities, should identify new opportunities for private sector partnerships, and examine the obstacles that might exist to increasing support from the private sector. The Secretariat should propose for Council review and approval means to advance such opportunities and to overcome such obstacles.

4. The Participants recognize that a strong monitoring and evaluation system will help the GEF to become progressively more effective by building upon lessons drawn from both success and failures. A strong monitoring and evaluation function

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is necessary not only as a tool to measure progress and results, but also as an instrument for achieving greater project quality and effectiveness. To ensure an effective follow-up to the study of GEF Overall Performance and the other evaluation studies, Participants call for the further strengthening of the Secretariat monitoring and evaluation function by providing additional capacity for independent evaluation and for the urgent development of performance indicators. Such indicators should facilitate collection of better data on, and assessment of, the strategic impact of the GEF activities as well as their operational, financial and institutional performance and cost effectiveness. Provision should also be made for monitoring progress in implementing the study's recommendations, and for further analyses in areas where time constraints did not allow full consideration by the study team.

5. Participants reconfirm the responsibilities of the Implementing Agencies under the Instrument and emphasize the need for increasing responsiveness, efficiency and diversity in projects and approaches. In recognizing the potential benefits of competition, Participants recommend that the Secretariat, in consultation with the Implementing Agencies, review the experience of executing agencies' participation in GEF activities and prepare costed options, for consideration by the Council, on ways to promote greater participation of those entities referred to in paragraph 28 of the Instrument[2], in particular the Regional Development Banks. The proposal should also address modalities for how these organizations would work, on a fee basis, through the Implementing Agencies or directly with the Secretariat and the Council.

6. Participants, reaffirm the importance of the principle of incremental costs to the GEF while recognizing the difficulties that continue to be encountered in its application. Participants underlined the decision of the Council taken at its November 1997 meeting for the preparation of a paper by the Secretariat, in consultation with the Implementing Agencies and the Secretariats of the Biodiversity and Climate Change Conventions, which would, *inter alia*, include operational criteria and paradigm cases for different types of GEF activities and projects.

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[2] See attachment